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C O N T E N T S

<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Raymond M. Bowen, Jr.				
By Mr. Kohler	1314	--	1342	--
By Mr. Rubin	--	1314	--	--
By Mr. Russell	--	1326	--	--
Malcolm M. Jacobson				
By Mr. Kohler	1347	--	--	--
By Mr. Rubin	--	1348	--	--
By Mr. Russell	--	1368	--	--

E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
<u>Enron Statements</u>		
✓ No. 7.0 (Coles) ✓	1310	1310
✓ No. 7.1 (Coles) ✓	1310	1310
✓ No. 8.0 (Tabors) ✓	1311	1311
✓ No. 8.1 (Tabors) ✓	1311	1311
✓ No. 5.0 (Bowen) ✓	1313	1346
✓ No. 5.1 (Bowen) ✓	1313	1346
✓ No. 4.0 (Jacobson) ✓	1347	1374
✓ No. 4.1 (Jacobson) ✓	1347	1374

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FORM 2

P R O C E E D I N G S

1  
2 ADMINISTRATIVE LAW JUDGE GEORGE M. KASHI: I call  
3 this proceeding back to order.

4 Are there any preliminary matters this morning from  
5 counsel?

6 MR. KOHLER: Yes, Your Honor.

7 JUDGE KASHI: Mr. Kohler.

8 MR. KOHLER: Your Honor, I would like to identify for  
9 the record the testimony of two Enron witnesses for which  
10 it's been indicated there's been no cross, and ask that they  
11 be moved in by stipulation.

12 The first one is the testimony of Lynn R. Coles,  
13 that's Enron Statement 7.0. It is 15 pages plus exhibits.  
14 And also his surrebuttal, Enron Statement 7.1, which is four  
15 pages without exhibits, Your Honor.

16 JUDGE KASHI: It will be so marked for purposes of  
17 identification and received into the evidentiary record as  
18 agreed by stipulation.

19 (Whereupon, the documents were marked  
20 as Enron Statements Nos. 7.0 and 7.1  
21 for identification, and were  
22 received in evidence.)

23 MR. KOHLER: Thank you, Your Honor. I have copies  
24 for the court reporter.

25 The second would be the testimony of Dr. Richard D.

1 Tabors on behalf of Enron. That's Enron Statement 8.0, his  
2 direct testimony. That consists of four pages, with an  
3 attachment. And also his surrebuttal, which I believe is  
4 three pages, without exhibit or attachment.

5 JUDGE KASHI: And the surrebuttal is --

6 MR. KOHLER: Enron Statement 8.1, Your Honor.

7 JUDGE KASHI: So marked for purposes of  
8 identification, and received into the evidentiary record as  
9 agreed by stipulation.

10 (Whereupon, the documents were marked  
11 as Enron Statements Nos. 8.0 and 8.1  
12 for identification, and were  
13 received in evidence.)

14 MR. KOHLER: That's all, Your Honor.

15 JUDGE KASHI: Anything further from counsel  
16 preliminarily?

17 MR. KLEPPINGER: Yes, Your Honor.

18 JUDGE KASHI: Mr. Kleppinger.

19 MR. KLEPPINGER: In the preparation of discovery  
20 responses as well as preparing for cross-examination next  
21 week, Mr. Falkenberg, in PPLICA Statement 2-S, discovered  
22 some discrepancies in his Exhibit No. 9 from his surrebuttal  
23 testimony. We have a correction to distribute to the  
24 parties today. The net effect of the changes is minimal in  
25 that the stranded cost number for PP&L's generation plant is

1 reduced by all of \$1 million, so in the scheme of things  
2 it's not a major change, but they are corrections that we  
3 felt --

4 JUDGE KASHI: A million here, a million there, before  
5 you know it, we're talking money.

6 (Laughter.)

7 MR. KLEPPINGER: The adjustment is downward.  
8 However, I will state for the record that we will not alter  
9 our original litigation position; we will leave it at the  
10 \$1 million higher number just to show our good graces to the  
11 company.

12 JUDGE KASHI: And could you identify that document  
13 one more time, sir?

14 MR. KLEPPINGER: Yes. We will identify it as PPLICA  
15 Statement No. 2-S. We'll introduce it at the time Mr.  
16 Falkenberg appears, but we thought it would be best for the  
17 parties to receive it today so they have time to deal with  
18 it before Wednesday.

19 JUDGE KASHI: Very good.

20 (Document distributed by Counsel Kleppinger.)

21 MR. KLEPPINGER: We'll be serving all parties through  
22 the mail as well, Your Honor.

23 JUDGE KASHI: Very good.

24 Are there any further preliminary matters from  
25 counsel?

1 (No response.)

2 JUDGE KASHI: Seeing none, our schedule for the day  
3 leaves us with two witnesses, both sponsored by Enron.

4 Mr. Kohler, do you wish to call your first witness?

5 MR. KOHLER: Your Honor, I call Mr. Raymond Bowen.

6 JUDGE KASHI: Mr. Bowen, would you raise your right  
7 hand and be sworn, sir?

8 Whereupon,

9 RAYMOND M. BOWEN, JR.

10 having been duly sworn, testified as follows:

11 JUDGE KASHI: Please be seated, sir.

12 MR. KOHLER: Your Honor, consistent with our prior  
13 practice, I would identify Mr. Bowen's prefiled testimony  
14 for the record. Mr. Bowen submitted direct testimony marked  
15 as Enron Statement 5.0. It consists of 36 pages, with no  
16 exhibits. Mr. Bowen also submitted surrebuttal testimony  
17 marked as Enron Statement 5.1, again with no exhibits. I  
18 would ask that they be identified as such.

19 JUDGE KASHI: So marked for purposes of  
20 identification.

21 (Whereupon, the documents were marked  
22 as Enron Statements Nos. 5.0 and 5.1  
23 for identification.)

24

25

1  
2 DIRECT EXAMINATION

3 BY MR. KOHLER:

4 Q. Mr. Bowen, do you have any corrections to either  
5 your direct testimony or your surrebuttal testimony?6 A. The only thing is in some of the documents my  
7 middle initial is incorrectly represented. It's M, not W.

8 Q. Are there any further corrections?

9 A. No.

10 MR. KOHLER: Your Honor, I would move the admission  
11 of Enron Statements 5.0 and 5.1, subject to any timely  
12 motions on cross-examination.13 JUDGE KASHI: Subject to any timely motions and/or  
14 objections pending cross-examination, that which has been  
15 marked as Enron Statement 5.0 and Statement 5.1 will be  
16 received into the evidentiary record.17 MR. KOHLER: Your Honor, the witness is available for  
18 cross.

19 JUDGE KASHI: Thank you very much, sir.

20 Mr. Rubin.

21 MR. RUBIN: Thank you, Your Honor.

## 22 CROSS-EXAMINATION

23 BY MR. RUBIN:

24 Q. Good morning, Mr. Bowen.

25 A. Good morning.

Q. My name is Scott Rubin. I represent IBEW

1 Local 1600.

2 A. Okay.

3 Q. Initially, I'd like to start with some general  
4 questions about Enron. I note from your testimony that you  
5 state that you're Vice President of Enron Energy Services,  
6 the Consumer Services Group, but your testimony is provided  
7 on behalf of Enron Power Marketing, Inc. I'm wondering if  
8 you could explain for us what the difference between those  
9 entities might be?

10 A. Enron Energy Services is an organization within  
11 Enron established to operate in the retail markets around  
12 the country as those markets open up. Enron Power Marketing  
13 is the legal entity by which we will do business.

14 Q. Is there a parent company?

15 A. The parent company of Enron is Enron Corp. It's  
16 a publicly traded company traded on the New York Stock  
17 Exchange.

18 Q. Is Enron Energy Services part of Enron Corp., or  
19 is it a separate subsidiary?

20 A. A subsidiary, a separate subsidiary.

21 Q. And Enron Power Marketing, Inc. is --

22 A. Is an affiliate of Enron Energy Services.

23 Q. Is it also a subsidiary of Enron Corp.?

24 A. Yes.

25 Q. Who will be selling power to retail customers,

1 who within Enron?

2 A. I think the plan is Enron Power Marketing would  
3 be a legal entity. Any entity who is selling in  
4 Pennsylvania will be approved as per proper procedures in  
5 the state.

6 Q. But the plan right now is that the only Enron  
7 entity that would sell power to retail customers in  
8 Pennsylvania would be Enron Power Marketing, Inc.?

9 A. Or any other entity that has been approved  
10 through the proper procedures.

11 Q. That's what I'm asking. Are you planning to  
12 have more than one entity --

13 A. We haven't made that decision.

14 Q. At the present time, is Enron Power Marketing,  
15 Inc. the only Enron entity that has applied for a license in  
16 Pennsylvania?

17 A. I believe so.

18 Q. Who will provide billing services for Enron  
19 Power Marketing, Inc.?

20 A. Enron Energy Services, through either, depending  
21 on the class of customers, through our own billing  
22 facilities, which we house in our operation in Dublin, Ohio,  
23 or through an arrangement with an affiliate of ours,  
24 Portland General Electric, a utility which Enron recently  
25 acquired on the west coast.

1           Q.    So your group within Enron Energy Services would  
2 be responsible for providing billing services for Enron  
3 Power Marketing?

4           A.    Technically, my group is responsible for  
5 marketing energy services to consumers. I have a  
6 counterpart who I turn to for the billing services and  
7 operations and back office, et cetera.

8           Q.    So even though you are not within Enron Power  
9 Marketing, Inc., one of your responsibilities is marketing  
10 to retail customers?

11          A.    Yes.

12          Q.    If Enron is permitted to provide metering  
13 services for retail customers, who or what entity within  
14 Enron would provide those services?

15          A.    It would be my expectation that that would be  
16 Enron Energy Services, but, once again, we have not made  
17 that specific decision. Today the metering activities are  
18 housed within Enron Energy Services.

19          Q.    Other than Portland General Electric, which I  
20 understand you just acquired, is Enron Energy Services  
21 providing metering services to retail customers any place in  
22 the country today?

23          A.    For commercial customers in the natural gas  
24 industry we are providing some metering services.

25          Q.    Within the electric industry?

1 A. No.

2 Q. If Enron is permitted to provide other types of  
3 services to its retail electric customers in Pennsylvania,  
4 what entity within Enron would provide those other services?

5 A. Once again, Enron Energy Services is the  
6 organization created to provide all retail energy services  
7 to retail customers, and that includes metering, billing,  
8 and the commodity.

9 Q. Is there some kind of a written agreement --

10 A. There would be internal contracts between Enron  
11 Energy Services and Enron Power Marketing to deal with that.

12 Q. Does Enron also have subsidiaries that own power  
13 plants and produce power within the United States?

14 A. Enron, through Portland General, owns power  
15 plants that produce power in the United States.

16 Q. With the exception of Portland General Electric?

17 A. Enron has investments in independent power  
18 projects within the United States.

19 Q. If a retail customer in Pennsylvania signs up  
20 with Enron Power Marketing, Inc. to provide electric  
21 generation supply, how will Enron Power Marketing, Inc. get  
22 the electricity to sell to that customer?

23 A. Enron will get that electricity through the  
24 marketplace. It may choose to generate that electricity; it  
25 may choose to buy that electricity under contractual

1 arrangements with other producers. Today Enron, in terms of  
2 its marketing of electricity, is in the top two or three  
3 electric marketers in the United States.

4 Q. Will Enron Power Marketing, Inc. operate under  
5 more than one trade name in Pennsylvania?

6 A. My expectation, frankly, is that the name we  
7 would use with consumers would be Enron, a very simple name,  
8 but that is not a formal decision; that's just my  
9 expectation.

10 Q. Would I be correct that one of Enron's  
11 subsidiaries is -- I think the name just changed; it used to  
12 be Zond, Z-o-n-d, which is the largest owner of wind power  
13 in the United States?

14 A. It is correct that Enron recently acquired a  
15 company named Zond, which is a major producer of wind power.

16 Q. For example, if I'm a retail customer in  
17 Pennsylvania and I want to purchase power that I feel is  
18 environmentally benign, would you be able to sell me wind  
19 power exclusively from your subsidiary?

20 A. In Pennsylvania, yes, we would, if we chose to.  
21 We have not made a decision that we're necessarily going to  
22 market renewable energy in Pennsylvania.

23 Q. I understand you said you haven't made a lot of  
24 these decisions yet, and that's fine. If, hypothetically,  
25 Enron decides to provide services in Pennsylvania under more

1 than one trade name, would all of Enron's customer services  
2 still be provided by your group?

3 A. Yes. I think that's an unlikely hypothetical  
4 that you put forth, though.

5 Q. But you indicated you haven't made that decision  
6 yet?

7 A. Right.

8 Q. Turning to your direct testimony on page 4,  
9 looking at roughly lines 2 through 7 on that page, and if I  
10 understand it properly, here you state that PP&L should be  
11 required to state separate charges on its bills for billing  
12 and collection, metering and other customer services.

13 First, do I have that right, that that's what you're  
14 recommending here?

15 A. Yes.

16 Q. Mr. Bowen, are you aware of any other business  
17 that separately states its billing costs on bills that it  
18 sends to its customers?

19 A. I believe that in a regulated business where  
20 those costs are controlled by regulatory process, I'm sure  
21 that happens someplace in the world, but in the competitive  
22 market, there's no obligation to provide that, but PP&L is a  
23 regulated business.

24 Q. You gave me, I think, sort of a two-part answer  
25 to what I thought was a simple question, so let's break it

1 into two questions. Within the competitive marketplace, are  
2 you aware of any entity that states as a separate line item  
3 on its bills the costs for billing?

4 A. No.

5 Q. Now, within the regulated marketplace, let's say  
6 the utility industry, are you aware of any utility that  
7 includes as a separate line item on its bills the costs for  
8 billing its customers?

9 A. I'm aware that Enron is prepared to do that with  
10 the utility that we own.

11 Q. I'm sorry; that's not what I asked. I asked if  
12 you are aware of any that are actually doing it today.

13 A. No, I have not studied that matter.

14 Q. Again, I'll break this into two parts in case  
15 your answer is different. In the competitive marketplace  
16 today where you indicated that you weren't aware of any  
17 businesses that bill separately for billing costs, are those  
18 costs typically recovered through what the business charges  
19 for the goods or services that it sells?

20 A. In the competitive market, absolutely.

21 Q. Now I'll ask you the same question in the  
22 regulated market, in the utility industry. Again, to the  
23 best of your knowledge, are those costs typically recovered  
24 through some other charge that appears on a utility bill?

25 A. Those costs, in my understanding, are wrapped

1 into the all-in rates charged to the end users.

2 Q. Are you proposing that a retail customer in  
3 Pennsylvania should have the option of not purchasing these  
4 services, meter reading, billing, collection, customer  
5 service?

6 A. I'm proposing that the customer should have the  
7 option to purchase those services from whoever can provide  
8 those services in the most efficient manner and at the  
9 lowest cost.

10 Q. I'm sorry; I --

11 A. I'm not proposing -- I believe to provide  
12 electric service you need to have a bill and a meter, so I  
13 think those are parts of the service, but what I'm saying is  
14 that those components of the service can be separated and  
15 provided in the competitive market.

16 Q. That's what I wanted to make clear, where it was  
17 a little fuzzy on what you were recommending. You are not  
18 suggesting that a customer would be able to completely avoid  
19 those charges by not purchasing the services?

20 A. Right.

21 Q. Only that they should be able to purchase them  
22 from someone else if they want to?

23 A. Right. I think there's a perfect analogy in the  
24 telephone business. If you go back to the 1970s, everybody  
25 had a black rotary dial telephone, and that phone came as

1 part of the regulated telephone service. Today the  
2 telephone can be bought from the phone company, it can be  
3 bought at a Target or a Sears or wherever you wanted to buy  
4 a telephone. Having a telephone is an integral part of  
5 telephone service, but you do not necessarily buy that from  
6 the phone company. And I believe the meter has a very  
7 similar characteristic.

8 Q. You're saying that a meter is similar to a  
9 telephone?

10 A. I'm saying that a meter is a device that, over  
11 time, can provide additional consumer benefits in addition  
12 to measuring the consumption of electricity.

13 Q. Would you agree with me that a meter's primary  
14 purpose is to measure the consumption of electricity?

15 A. Today, in this regulated environment, yes.

16 Q. Would you agree with me that a customer must  
17 have a meter in order for the customer to receive electric  
18 service?

19 A. Absolutely.

20 Q. And the customer has to have that meter because  
21 it is the device that's used to measure consumption?

22 A. Yes.

23 Q. And is the same true for a telephone?

24 A. I think they have to have a telephone to have  
25 telephone service.

1 Q. Do you?

2 A. I think you have to have a telephone to make a  
3 telephone call.

4 Q. But can you have telephone service and decide to  
5 only plug in a computer modem or only plug in a fax machine  
6 or something else?

7 A. I'm not differentiating. A computer modem is a  
8 form of telephone service. It's a different kind of device,  
9 but it's --

10 Q. Is the telephone used to measure consumption?

11 A. In some cases it may or may not be. I --

12 Q. Mr. Bowen, I'm trying to wrap things up here and  
13 we're getting ourselves bogged down. Does the telephone  
14 company, the provider of local exchange service, use the  
15 telephone to determine what the customer's bill should be?

16 A. No.

17 MR. RUBIN: Thank you.

18 That's all I have for this witness, Your Honor.

19 JUDGE KASHI: Thank you.

20 I have a bit of follow-up on that. An interesting  
21 thought occurred to me. Go back to the '70s and you were  
22 talking about the plain rotary telephone, and I think my  
23 mother has hers still hanging on the wall, from the 70s, if  
24 not from the '50s. Then when we were given the benefit of  
25 being able to go out and buy all these wonderful new

1 telephones as opposed to having to get them from the  
2 telephone company, we now buy them every three or four  
3 months because the quality is nowhere near what the quality  
4 was when the company didn't want to have to replace them.  
5 So now probably the meter that was on the home that I owned  
6 for 25 years was probably there for 25 years; I don't ever  
7 recall them changing it. I guess the question is: do we  
8 now have the thought of looking forward to, since the  
9 company isn't going to be the one who is concerned about  
10 whether or not the meter stays in good shape or not and it's  
11 going to be passed off to the purchaser or leaser of that  
12 meter, are we now going to have the benefit of having to buy  
13 our meters every three years, every two years, God forbid,  
14 every couple months, because the bugger doesn't work  
15 anymore?

16 THE WITNESS: I believe the meter should be designed  
17 to meet criteria, which I'm not capable of telling you  
18 exactly what those criteria are.

19 MR. KOHLER: Your Honor, Mr. Jacobson is specifically  
20 on metering, so he --

21 JUDGE KASHI: Okay. So he'll be able to assure me  
22 that while I'm not getting POTS, I'll be getting a meter  
23 that's similar to POTS?

24 MR. KOHLER: He is more knowledgeable on the  
25 technical aspects of meters.

1 JUDGE KASHI: Thank you, sir.

2 Mr. Kaplan or Mr. Russell?

3 MR. KAPLAN: Mr. Russell this morning.

4 MR. RUSSELL: Thank you, Your Honor.

5 CROSS-EXAMINATION

6 BY MR. RUSSELL:

7 Q. Good morning, Mr. Bowen.

8 A. Good morning.

9 Q. My name is Paul Russell. I'm representing  
10 Pennsylvania Power and Light Company in this proceeding.

11 JUDGE KASHI: One second, Mr. Russell. I did not  
12 call Mr. Mullins.

13 MR. MULLINS: We don't have any questions, Your  
14 Honor.

15 JUDGE KASHI: Okay.

16 Go ahead, sir.

17 MR. RUSSELL: Thank you.

18 BY MR. RUSSELL:

19 Q. Looking at page 1 of your direct testimony where  
20 you're discussing your responsibilities with Enron, as I  
21 understand it, you're responsible for retail sales  
22 activities with residential customers; is that correct?

23 A. Yes.

24 Q. Do you have any responsibility for Enron's  
25 retail sales activities with either commercial or industrial

1 customers?

2 A. Not directly. I think some of the issues and  
3 strategies are similar, but I have no direct responsibility.

4 Q. If you would look on page 2 of your direct,  
5 specifically around lines 13 and 14, where we talk about  
6 customer choice for billing, are you there talking about  
7 billing by the electric distribution company or by the  
8 generation supplier?

9 A. Yes.

10 Q. Both the distribution company and the generation  
11 supplier?

12 A. I think the customer should have the choice.

13 Q. Is that billing for all services?

14 A. Yes.

15 MR. KOHLER: That's on 12 to 13.

16 MR. RUSSELL: That's right. Thank you.

17 BY MR. RUSSELL:

18 Q. If Enron is interested in open competition for  
19 billing of electric generation, transmission and  
20 distribution services, why do none of its proposals provide  
21 for billing by third parties such as the telephone company?

22 A. We believe that as part of the service we offer,  
23 we may out-source that billing activity to some other party,  
24 but I'm not sure I understand your question.

25 Q. Would Enron be willing to agree to a situation,

1 if billing becomes competitive, where telephone companies,  
2 for example, provide that service directly to the customer?

3 A. We think the market should determine that, and  
4 so I can envision a scenario where that plays out in the  
5 marketplace.

6 Q. Would it be, as a follow-on to that, your  
7 position that the customer then would have the choice of  
8 either the EDC or a supplier or perhaps a telephone company  
9 to provide those services?

10 A. I have no problem with that philosophically. My  
11 objective is that the customer would have a choice.

12 Q. Still on page 2, and looking at line 21 where  
13 you discuss Enron's intention to provide high quality  
14 billing services in Pennsylvania, my question is: has Enron  
15 done any studies to compare the error rates in its bills  
16 with error rates in bills by other entities, including  
17 electric distribution companies?

18 A. We track that all the time. I'm not aware of  
19 the specific details. I feel very comfortable that we can  
20 hold to the standard we put forth in my testimony. And in a  
21 competitive market, the point is, if we are not billing  
22 accurately, if the customer is not satisfied, they have a  
23 choice; they can leave us.

24 Q. On page 3 where you discuss, in lines 1 to 10,  
25 kind of the understandability and the format of bills, is it

1 your understanding that the content and format of bills to  
2 residential customers are controlled by Commission  
3 regulation?

4 A. Yes. I would believe that the Commission would  
5 set regulations which control the information, some of the  
6 information that has to be presented on the bill; yes.

7 Q. Are you familiar with the regulations in place  
8 in Pennsylvania?

9 A. I am not familiar with the specific regulations,  
10 but we fully intend to adhere to those regulations, whatever  
11 they may be.

12 Q. Would it be your expectation that you would be  
13 required to adhere to those regulations?

14 A. Absolutely.

15 Q. If Enron is adhering to Commission regulations  
16 on bill format and PP&L is adhering to those identical  
17 regulations, how different do you think Enron's bills would  
18 look from PP&L's, given that they're both designed pursuant  
19 to those requirements?

20 A. Not knowing what the regulations are, it's hard  
21 for me to answer that question, but I believe that the bill  
22 will provide the required information, but the bill may  
23 provide other information. It may provide enhanced data  
24 about consumption or other benefits that the consumer might  
25 seek.

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Q. If the Commission were to adopt all of the unbundling recommendations presented by the Enron witnesses in this proceeding, do you have a sense of how many separate line items would appear on a bill to a residential customer?

A. Given our view that all the components of electric service in the regulated monopoly service today ought to be broken out, there should be no additional line items unless there are services, new services, that have been provided over and above the basic electric service. So I have not counted those lines, no.

FORM 2

1 Q. Understanding you haven't counted them directly,  
2 would it be your sense it would be somewhere in the  
3 neighborhood of 10 or 12?

4 A. I'm not sure.

5 Q. I think you mentioned earlier that Enron --  
6 well, let me ask to be sure my memory is correct. Has Enron  
7 prepared bills for electric customers in the United States  
8 to this point?

9 A. Yes, we have through our affiliate, Portland  
10 General Electric in Portland, Oregon, which has over 600,000  
11 customers.

12 Q. But only through Portland General?

13 A. For electricity, that is correct. For natural  
14 gas, we have approximately 30,000 natural gas customers we  
15 bill every month.

16 Q. Have the electric bills that you have prepared  
17 been broken out with all the separate services that you  
18 discuss in this proceeding?

19 A. They will in the future.

20 Q. But they haven't at this point?

21 A. No.

22 Q. Would it be Enron's expectation to use remote  
23 meter reading devices?

24 A. Over time, we certainly expect that remote meter  
25 reading devices would be part of electric service in the

1 future, yes.

2 Q. Are you aware of any Pennsylvania Commission  
3 requirements for confirmation of automatic meter reading  
4 output?

5 A. I'm not aware of them, but once again, if there  
6 are such requirements, we would fully abide by those  
7 requirements.

8 Q. Has Enron established procedures for resolving  
9 meter errors?

10 A. We would establish procedures in our commercial  
11 activities, and in Portland General those procedures exist.  
12 We have not developed the precise procedures for the  
13 Pennsylvania market.

14 Q. And as a follow-up to that, I assume Enron has  
15 not yet established procedures for reimbursing electric  
16 distribution companies for any errors caused by Enron  
17 metering.

18 A. We would fully expect that any errors would be  
19 resolved and that the appropriate parties would be  
20 compensated financially.

21 Q. But procedures haven't been established?

22 A. Specific procedures have not been worked out,  
23 and we'd be happy to sit down and work those out.

24 Q. Under the supplier single bill option you  
25 discuss in your testimony, would it be your expectation that

1 Enron would be responsible for terminating services to  
2 customers for non-payment?

3 A. Under the supplier single bill, no.

4 (Pause.)

5 Q. Turning to page 8, line 21, am I correct that  
6 under the supplier single bill option, suppliers could offer  
7 billing, metering and customer services?

8 A. Yes.

9 Q. And further, I guess if we look over on page 9  
10 at the top, am I correct that if the customer purchases any  
11 of these services from a supplier and is not satisfied, the  
12 customer could return to the utility for those services?

13 A. Absolutely. In a competitive market, if you're  
14 not happy with the service, you have a choice. You can vote  
15 with your feet; switch.

16 Q. Under those circumstances, would the utility be  
17 required to provide all those services to any returning  
18 customer?

19 A. I would expect that there would be a supplier, a  
20 default supplier of some sort, and I assume that would be  
21 the utility.

22 Q. So the answer to that would be yes?

23 A. Yes.

24 Q. In that event, wouldn't you agree the utility  
25 would be required to maintain a billing, metering and

1 customer service infrastructure sufficient to serve all  
2 returning customers?

3 A. Yes.

4 Q. And would it be your expectation that the cost  
5 of maintaining that infrastructure would be paid by the  
6 distribution company's general customer base?

7 A. Yes.

8 Q. Would it be your expectation that Enron would be  
9 required to act as a provider of last resort of metering,  
10 billing and customer services?

11 A. Enron might be interested in that. We haven't  
12 considered that. In this structure that we're proposing  
13 here, I've assumed that the utility would be that supplier  
14 of last resort, and so that because the customer always has  
15 a fall-back, they can always go to that supplier of last  
16 resort, Enron would not be obligated to provide that  
17 service.

18 Q. Would Enron be opposed to having an obligation  
19 of that sort imposed upon it as a condition for providing  
20 single supplier billing?

21 A. Yes.

22 Q. On page 11 of your direct testimony, on lines 3  
23 to 5, you identify some of the financial assurances that an  
24 EDC might demand before the supplier single bill option is  
25 implemented. Do you see where I am?

1 A. Yes.

2 Q. And am I correct that some of those assurances  
3 include letters of credit or bonds or deposits?

4 A. I think what I'm trying to convey here is an  
5 understanding that the EDC would be taking on some credit  
6 risk of the supplier, and we would be happy to sit down and  
7 work out reasonable standards so that the EDC is not taking  
8 undue credit risk.

9 Q. Let's assume for a minute that a supplier  
10 defaulted in its obligation to remit funds to the EDC and  
11 the EDC then relied upon one of these forms of financial  
12 assurance that is set forth in your testimony. Would you  
13 agree that the EDC would experience some delay in receiving  
14 remittance of those funds?

15 A. It depends on the structure of those assurances.

16 Q. On page 12, line 15 to 17, you talk about an  
17 arrangement that would allow Enron and other suppliers to  
18 provide a, quote, "soup to nuts," closed quote, service. Am  
19 I correct in assuming that Enron would agree that PP&L's  
20 retail energy supply group also could be a full service  
21 provider here?

22 A. Could you describe PP&L's retail supply group?  
23 I'm not sure what that is.

24 Q. It's the group within PP&L that will compete in  
25 the retail competitive marketplace for energy.

- 1 A. Is it part of the regulated utility?
- 2 Q. Yes. It's a division of the regulated utility.
- 3 A. And it's competing in the competitive market?
- 4 Q. Yes.
- 5 A. Or is it a marketing affiliate of the regulated  
6 utility?
- 7 Q. It is part of PP&L. It is subject to a code of  
8 conduct within PP&L, and it's intent is to participate in  
9 the competitive retail market in Pennsylvania and elsewhere.
- 10 A. But it's not a separate legal entity?
- 11 Q. It is not.
- 12 A. But it would function through a code of conduct  
13 as a separate legal entity without cross-subsidies from the  
14 utility?
- 15 Q. That's correct.
- 16 A. If the code of conduct is properly structured, I  
17 would have no problem with the unregulated affiliate of the  
18 utility participating in this type of a service. It is a  
19 competitive market. The code of conduct is crucial.
- 20 Q. Just so both parts of the record are consistent,  
21 you talked about an affiliate, and the way I've described  
22 our proposal, it's not a separate affiliate; it's a part of  
23 PP&L.
- 24 A. I view that as a legal matter that I'm not  
25 qualified to comment on, but as long as --

1 MR. KOHLER: A licensed supplier, just so we're  
2 clear.

3 MR. RUSSELL: Right.

4 BY MR. RUSSELL:

5 Q. If the licensed supplier that the PP&L  
6 unregulated group -- let me start that over. You would have  
7 no objection if the PP&L licensed supplier provided this  
8 soup to nuts services as long as there was an appropriate  
9 code of conduct in place?

10 A. Yes, no problem.

11 MR. KOHLER: Just so we're distinguishing the  
12 licensed supplier from the EDC.

13 MR. RUSSELL: Right; and that was my intent of the  
14 question.

15 MR. KOHLER: Okay. I think that was clear.

16 BY MR. RUSSELL:

17 Q. On page 16 at the top, you suggest the new  
18 billing system should be transferred to the generation  
19 supply group. If that were to occur, would the generation  
20 supply group then have to bill the delivery group when the  
21 delivery group is providing billing services for alternative  
22 suppliers?

23 MR. KOHLER: This is within PP&L?

24 MR. RUSSELL: Yes.

25 MR. KOHLER: Your Honor, I don't know how Mr. Bowen

1 would --

2 JUDGE KASHI: How would he know that?

3 MR. RUSSELL: The point of my question, Your Honor,  
4 is he is suggesting that the billing system in PP&L be moved  
5 from the delivery group, the monopoly delivery group, to the  
6 generation supply group, and what I'm trying to inquire into  
7 is how that would work if the delivery group is required to  
8 provide billing services on behalf of the supplier but the  
9 billing system is in the generation group.

10 JUDGE KASHI: Do you have an idea as to how you'd  
11 work that?

12 THE WITNESS: I think you'd contract for it  
13 internally.

14 JUDGE KASHI: I'm sorry. I didn't hear that.

15 THE WITNESS: Just hearing that situation and not  
16 knowing anything about the organization, I think some sort  
17 of internal contract.

18 BY MR. RUSSELL:

19 Q. I'm sorry. To back up just a couple pages to  
20 page 12, at lines 13 to 15, as I read this, you're  
21 suggesting that under the agency proposal, Enron would  
22 become PP&L's customer of record; is that correct?

23 A. Under the agency proposal, that's correct.

24 Q. Under the agency proposal. Under that agency  
25 proposal, would Enron be responsible for restoring service

1 to customers after storms, for example?

2 A. No.

3 Q. That would remain with the distribution utility?

4 A. Yes.

5 Q. On page 14, lines 13 to 15, you discuss -- or  
6 let me just ask. Am I correct that your belief is that any  
7 billing service charges imposed by PP&L should be reviewed  
8 by the Commission to assure they are cost-based?

9 A. Yes.

10 Q. Would you also believe that any billing services  
11 assessed by Enron must be reviewed by the Commission to  
12 assure they are cost-based?

13 A. I don't believe so. What we're proposing is to  
14 offer the customer an all-end service; and if the customer  
15 is not happy with the service we provide, they have a  
16 choice, an environment where the customer has a choice.  
17 When you talk about PP&L, I'm talking about that supplier of  
18 last resort function.

19 Q. So you're talking about the regulated side?

20 A. Right.

21 Q. Now, on page 17, still in your direct, line 2,  
22 you're suggesting that partial payments be applied to  
23 services on a pro rata basis?

24 A. Correct.

25 Q. If the payments are provided to the supplier on

1 a pro rata basis, won't the distribution company's risk of  
2 non-recovery then increase?

3 A. Why?

4 Q. Let me reword that. Wouldn't the amount of the  
5 EDC's non-recovery increase?

6 A. Versus giving the EDC a senior claim over  
7 generation, absolutely, that's mathematically correct, yes;  
8 but my point here is that the risk is no different than the  
9 risk today of partial payment.

10 Q. But that would increase the EDC's cost of  
11 providing service, would it not?

12 A. Not over and above what it is today.

13 Q. Are you recommending a pro rata approach with  
14 regard to the CTC as well?

15 A. I'm not sure what regulations have been  
16 determined on the CTC and how that has worked out. I'm not  
17 addressing that issue.

18 Q. I just have a handful of questions remaining.  
19 On page 24, you discuss independent third-party  
20 verification. Could you just give me an example of what  
21 sort of independent third-party would verify customer  
22 consents to supplier switching?

23 A. In the telecommunications industry, there are  
24 service bureaus that have developed, who have reputable  
25 entities who provide that independent third-party

1 verification. So if a customer says, "I want your service,  
2 Enron," while that customer is on the phone, you tie that  
3 customer in with the third party, and the third party goes  
4 back and reviews or verifies the information, the critical  
5 details, and confirms that the customer has signed up for  
6 that service.

7 We're very comfortable with that sort of arrangement,  
8 because we want to make sure that the customer fully  
9 understands the decision they've made, and that sort of a  
10 cross-check is totally acceptable to us.

11 Q. I just have one final question, Mr. Bowen.  
12 Assume for a moment that the Commission fully unbundles  
13 billing and metering and customer services, as we've  
14 discussed this morning, but does not deregulate them. They  
15 are still fully regulated by the Commission and unbundled  
16 and available for others to provide if they want to.

17 Would it be your opinion that Enron would be  
18 interested in providing those services under those  
19 circumstances?

20 A. I hadn't really thought about that.

21 MR. RUSSELL: I have nothing else, Your Honor.

22 JUDGE KASHI: Thank you very much. Redirect, Mr.  
23 Kohler? Do you need some time?

24 MR. KOHLER: One minute.

25 JUDGE KASHI: Stand easy.

1 (Discussion off the record.)

2 JUDGE KASHI: Back on the record.

3 Redirect, Mr. Kohler?

4 MR. KOHLER: Just a few questions, Your Honor.

5 REDIRECT EXAMINATION

6 BY MR. KOHLER:

7 Q. Mr. Bowen, will Enron Power Marketing, Inc., the  
8 licensed supplier, take responsibility for all services it  
9 provides regardless of whether that is provided through an  
10 affiliate?

11 A. Yes.

12 Q. I think you indicated in your testimony that  
13 Enron Power Marketing has filed an application and received  
14 a license to conduct generation supply business in  
15 Pennsylvania.

16 A. Yes.

17 Q. And I think you also indicated -- well, let me  
18 ask the question. Are you aware of whether there were  
19 affidavits attached to that application which made certain  
20 commitments to the Commission?

21 A. Yes.

22 Q. Would those affidavits also include any service  
23 provided through affiliates?

24 A. Absolutely, yes.

25 Q. I believe you testified as to the restoration of

1 service in an agency scenario, and I believe you testified  
2 that as agent, you would not restore service. Would Enron  
3 be responsible for arranging for the restoration of the  
4 service for the customer in that type of scenario?

5 A. Yes. The question I was answering was would we  
6 put the wires back up.

7 MR. KOHLER: Nothing further.

8 JUDGE KASHI: Thank you, Mr. Kohler. Again, I can't  
9 resist. You made a statement that Enron would be  
10 responsible for all services. Can you define for me what  
11 you see as the responsibility of Enron in providing customer  
12 services and the obligations of Enron thereunder to the  
13 rate-paying customers of Pennsylvania? I'm thinking of  
14 Burmex.

15 THE WITNESS: I'm sorry, Your Honor. Can you repeat  
16 the question?

17 MR. KOHLER: Mr. Bowen won't be familiar with Burmex.  
18 He may be familiar with the general situation.

19 JUDGE KASHI: Okay. In response to Mr. Kohler's  
20 question --

21 MR. KOHLER: If you explain it to him, Your Honor, it  
22 will help.

23 JUDGE KASHI: In response to Mr. Kohler's question,  
24 you said that Enron was going to take responsibility for all  
25 its services to customers that it is providing. We

1 unfortunately had a very unfortunate experience where the  
2 billing process by a utility in Pennsylvania was out-sourced  
3 and a ratepayer got raped.

4 MR. KOHLER: Wasn't it metering, Your Honor?

5 JUDGE KASHI: Metering. And the concept of the  
6 sensitivity necessary in providing contact with the  
7 customers, my question is: where do you see your  
8 responsibility in those areas?

9 THE WITNESS: I believe our responsibility is to  
10 provide the highest level of service. That sounds like a  
11 very unfortunate incident, but we would be responsible for  
12 our employees and their activity.

13 JUDGE KASHI: Do you envision that Enron would be  
14 hiring its own employees?

15 THE WITNESS: I believe Enron could be hiring its own  
16 employees or we could be out-sourcing to partners, and we  
17 would be responsible for the activity of our partners as we  
18 interface with customers. I envision a world where  
19 automated meter reading is a big part of the way business is  
20 done.

21 JUDGE KASHI: In your responsibility for all  
22 services, if you're going to be providing meters -- and  
23 maybe no one knows the answer to this. At the current time,  
24 we have Commission standards as far as how fast those meters  
25 can run and how slow those meters can run -- who is going to

1 set those standards?

2 THE WITNESS: I believe there should be standards set  
3 by, I assume, the Commission as to the performance of any  
4 new technology. We shouldn't lose sight of the fact that  
5 the meter that is on the house is a technology that was  
6 invented in the 1920s.

7 JUDGE KASHI: So you envision the Commission  
8 maintaining responsibility for setting technological  
9 parameters?

10 THE WITNESS: Absolutely. I believe that the  
11 performance standards on the equipment, we are very  
12 comfortable with those standards being set by the  
13 Commission; and whatever those standards might be, we would  
14 abide by them.

15 JUDGE KASHI: And who would enforce those standards,  
16 sir?

17 THE WITNESS: I would assume the Commission.

18 JUDGE KASHI: Thank you. Did that engender any  
19 follow-up from anyone?

20 MR. KOHLER: No, Your Honor.

21 MR. RUSSELL: No, Your Honor.

22 JUDGE KASHI: Thank you very much. You are excused,  
23 sir.

24 (Witness excused.)

25 JUDGE KASHI: That which has been marked and

1 identified as Enron Statement No. 5 and 5.1 are received  
2 into the evidentiary record without objection.

3 (No response.)

4 JUDGE KASHI: Without objection.

5 (Whereupon, the documents marked as  
6 Enron Statements Nos. 5 and 5.1 were  
7 received in evidence.)

8 JUDGE KASHI: Do you wish to call your next witness,  
9 Mr. Kohler?

10 MR. KOHLER: Yes, Your Honor. I'd like to call Mr.  
11 Malcolm Jacobson.

12 Your Honor, Mr. Jacobson has lost his luggage between  
13 here and Houston, and he is wearing Mr. Baker's suit.

14 MR. RUBIN: I have a whole line of cross-examination  
15 on that subject --

16 (Laughter.)

17 JUDGE KASHI: Do you want to stand and raise your  
18 right hand, please?

19 Whereupon,

20 MALCOLM W. JACOBSON

21 having been duly sworn, testified as follows:

22 JUDGE KASHI: Please be seated.

23 Mr. Kohler, proceed.  
24  
25

1 MR. KOHLER: Your Honor, consistent with our prior  
2 practice, I will identify Mr. Jacobson's pre-filed  
3 testimony. I'd like to have it marked.

4 Your Honor, Mr. Jacobson submitted direct testimony,  
5 Enron Statement 4.0. Let me check on the pages, but it also  
6 has five exhibits, MWJ-1 through MWJ-5. It consists of 18  
7 pages, Your Honor. He also submitted surrebuttal pre-filed  
8 testimony. It's marked as Enron Statement 5.1.

9 JUDGE KASHI: 5.1?

10 MR. KOHLER: 4.1, Your Honor. It consists of seven  
11 pages, without exhibits. I would ask that they be marked as  
12 such.

13 JUDGE KASHI: So marked for purposes of  
14 identification.

15 (Whereupon, the documents were  
16 marked as Enron Statement Nos. 4.0  
17 and 4.1 and Enron Exhibits MWJ-1  
18 through MWJ-5 for identification.)

19 DIRECT EXAMINATION

20 BY MR. KOHLER:

21 Q. Mr. Jacobson, do you have any corrections to  
22 make to your pre-filed testimony?

23 A. I do not.

24 MR. KOHLER: Your Honor, I would move the admission  
25 of Enron Statements 4 and 4.1 with exhibits subject to any

1 timely motions and objections.

2 JUDGE KASHI: Subject to any timely motions and/or  
3 objections, that which has been marked and identified will  
4 be received into the evidentiary record.

5 MR. KOHLER: The witness is available for cross, Your  
6 Honor.

7 JUDGE KASHI: Thank you very much, sir.

8 Mr. Rubin?

9 MR. RUBIN: Thank you, Your Honor.

10 CROSS-EXAMINATION

11 BY MR. RUBIN:

12 Q. Good morning, Mr. Jacobson.

13 A. Good morning, Mr. Rubin. If I could very  
14 quickly just get on the record, that's Continental Airlines  
15 that lost my bag.

16 MR. RUBIN: I'll remember that.

17 (Laughter.)

18 JUDGE KASHI: Did you say "Continental"?

19 THE WITNESS: Yes, sir.

20 JUDGE KASHI: Does that have anything to do with his  
21 credibility?

22 (Laughter.)

23 JUDGE KASHI: Go ahead.

24

25

1 BY MR. RUBIN:

2 Q. Mr. Jacobson, I'd like to start in your  
3 surrebuttal testimony for a moment on page 1. On lines 16  
4 through 17, you state that IBEW's witness, Mr. Schmitt,  
5 implies that unbundling and competitive entry into revenue  
6 cycle services is contrary to the law in Pennsylvania.

7 Can you show me where in his testimony Mr. Schmitt  
8 discusses the legality of providing these services?

9 A. Mr. Rubin, I believe my comment there is more in  
10 reaction to what I believe to be the basis of Mr. Schmitt's  
11 testimony.

12 Q. I'm sorry, that's not what I asked you. I'm  
13 asking you to show me in Mr. Schmitt's testimony where he  
14 discusses the legality -- I'm sorry, do you have a copy of  
15 his testimony? Because I can give you one.

16 A. Yes, sir, I do.

17 Q. And I was puzzled when I saw that in your  
18 testimony because in Mr. Schmitt's testimony, he states on  
19 page 2, lines 9 and 10 specifically that he will not be  
20 addressing the legality of these proposals. Did you see  
21 that?

22 A. I did see that.

23 Q. Would you agree with me that Mr. Schmitt's  
24 testimony nowhere discusses the law in Pennsylvania or  
25 whether it is lawful to provide these services by someone

1 other than distribution utilities?

2 A. Yes, Mr. Rubin. As I thumb through here, I do  
3 not see nor do I recollect a specific reference to the law.  
4 I agree.

5 MR. RUBIN: Thank you.

6 Your Honor, based on that, I would move to strike a  
7 portion of Mr. Jacobson's surrebuttal testimony,  
8 specifically beginning on page 1, line 21 and going through  
9 page 4, line 6.

10 In this portion of the testimony, Mr. Jacobson  
11 purports to be rebutting what he says is Mr. Schmitt's  
12 suggestion that it would be unlawful to provide these  
13 services as someone other than a distribution utility.

14 In fact, Mr. Schmitt makes no such statement and this  
15 testimony is not responsive to anything in Mr. Schmitt's  
16 rebuttal testimony.

17 MR. KOHLER: I have no objection to that, Your Honor.  
18 It's likely Mr. Jacobson got confused with some PP&L  
19 witnesses that have made that argument.

20 JUDGE KASHI: It's the surrebuttal statement, 4.1.  
21 We will strike pages 1, line 21 through and including page  
22 4, line 6.

23 MR. RUBIN: Thank you, Your Honor.  
24  
25

1 BY MR. RUBIN:

2 Q. Mr. Jacobson, if we can turn back to your direct  
3 testimony for a few moments now, on page 2, lines 11 through  
4 13, I want to make certain that I understand what you're  
5 saying here.

6 You state that consumers should be allowed to choose  
7 who provides them the metering, meter reading, billing and  
8 information services.

9 In your opinion, do these services all need to be  
10 provided by the same entity or could a consumer for example  
11 choose your company to provide meter reading, PP&L to  
12 provide billing, a local electrician maybe for metering, and  
13 maybe a telephone company for information services? Would  
14 that be feasible, possible?

15 A. It would be feasible. Under that model, it sure  
16 would.

17 Q. And is that what you're suggesting, that each of  
18 these services can be provided independently of the other by  
19 any entity out there in the marketplace?

20 A. Yes, I am, but I would suggest that it's indeed  
21 likely that they will be rebundled and packaged together  
22 into services.

23 Q. You say it's likely. I assume that Enron hopes  
24 that would be the case.

25 A. That's true.

1 Q. But when you say it's likely, do you have any  
2 market studies or other information that show it's likely  
3 that consumers will purchase these as a bundled package?

4 A. I do have some practical experience. As is  
5 stated in my testimony, I did manage the New Hampshire pilot  
6 program on behalf of Enron.

7 And just sort of on the ground experience in New  
8 Hampshire tells me that consumers are in fact looking for  
9 customized solutions that would involve a rebundling of  
10 services, yes.

11 Q. I want to make sure I've got this one straight.  
12 So you're suggesting that the bills contain a separate line  
13 item for each of these types of services, but you believe  
14 that customers want to purchase these services as a package?

15 A. That's right.

16 Q. Mr. Jacobson, the law in Pennsylvania that  
17 brought us all together today talks about competition for  
18 the supply of electric generation, and that law also  
19 deregulates that service.

20 In your testimony, you talk about competition for  
21 billing, metering, meter reading and customer services. Are  
22 you also advocating the deregulation of those services?

23 A. I'm advocating -- Mr. Rubin, I guess that  
24 depends on how you define "deregulate." I think in a strict  
25 sense, you can't totally deregulate because you have to have

1 some oversight in terms of the standards applied for example  
2 to metering devices. But deregulated in the sense of open  
3 to competition, yes, I am advocating that.

4 Q. All right. So you believe that there should  
5 still be some standards, but that anybody should be able to  
6 provide the service that meets those standards?

7 A. Yes.

8 Q. And when you say there should be standards, I  
9 assume that this Commission would be setting those  
10 standards?

11 A. Yes.

12 Q. And would be responsible for enforcing those  
13 standards?

14 A. Would be responsible for enforcing those  
15 standards. Just so there's no confusion here on this point,  
16 though, I'd like to say that there are a number of standards  
17 for metering devices, for example performance of those  
18 devices in terms of accuracy and reliability, that have been  
19 set by national bodies such as the American National  
20 Standards Institute.

21 So I'm not suggesting that the Commission reinvent  
22 the wheel and actually become entrenched in developing  
23 technological standards, but in fact adopting national  
24 standards that already exist, applying those and overseeing  
25 the implementation of it.

1 Q. Under your proposal, would PP&L as a  
2 distribution utility be required to provide billing,  
3 metering, meter reading and customer services?

4 A. Your question is, would PP&L as the regulated  
5 distribution company, be required to provide those services?

6 Q. That's my question.

7 A. Yes.

8 Q. And would they be required to provide those  
9 services under a regulated price?

10 A. Yes.

11 Q. So you are suggesting that Enron and others who  
12 might want to come into this market should be given the  
13 option of providing some or all of these services to some or  
14 all of its customers?

15 A. That's right.

16 Q. And you would be doing that under prices that  
17 are not regulated by this Commission?

18 A. That's right.

19 Q. And at the same time, PP&L would be required to  
20 stand ready to provide these services to all of its  
21 customers and to do so at a fixed price that is set by this  
22 Commission?

23 A. Yes.

24 Q. Would PP&L's regulated price be based on the  
25 average cost of providing these services to its customers?

1           A. Presumably so. I'm not rate design expert by  
2 any means, but presumably so, based on my knowledge.

3           Q. Well, Enron does have a rate design expert in  
4 this case, Mr. Reising; is that right?

5           A. That's right.

6           Q. And are you familiar with how Mr. Reising  
7 developed his unbundled prices for these services?

8           A. I am somewhat familiar.

9           Q. And would you agree with me that Mr. Reising  
10 developed his unbundled prices for these services based on  
11 the average cost to provide these services to specific types  
12 of customers, secondary voltage customers and so on?

13          A. That's my --

14          MR. KOHLER: Your Honor, I know he has read Mr.  
15 Reising's testimony, but it sounds like questions for Mr.  
16 Reising. I don't know where he's going.

17          MR. RUBIN: That's where I'm going. It's a simple  
18 question, did he base it on the average cost. I think the  
19 witness answered yes.

20          THE WITNESS: That's my understanding.

21          BY MR. RUBIN:

22          Q. I am certainly not going to ask you to adopt  
23 anything that Mr. Reising did, so if we can assume  
24 hypothetically that the average meter reading cost is 89  
25 cents per customer per month for a secondary voltage

1 customer -- can we accept that as just a hypothetical to go  
2 forward?

3 A. Sure.

4 Q. Now, if for a particular customer it would cost  
5 Enron more than 89 cents a month to read the meter, then  
6 under your proposal, Enron could choose not to read the  
7 meter and let PP&L do it; is that correct?

8 A. Well, presumably it would be the customer's  
9 decision, and if we can't offer that service for less than  
10 PP&L, and presuming the services are equal in terms of  
11 quality, then it would be my presumption that yes, the  
12 consumer would choose to stay with the default service  
13 provided by PP&L.

14 Q. But when you say it would be the consumer's  
15 choice, and certainly that's one option, but isn't another  
16 option that Enron could just not make that particular  
17 service available in certain parts of PP&L's service  
18 territory?

19 A. I think that's right. Under your example, if I  
20 understand it correctly, it wouldn't make a lot of sense for  
21 us to do that because we would be offering a service that is  
22 in effect overpriced in the marketplace.

23 Q. But if you felt that you could read a particular  
24 customer's meter for less than PP&L's average cost of 89  
25 cents under our example, then you would have the option of

1 offering that service in the marketplace and customers would  
2 choose whether they want it or not?

3 A. Yes. I'm struggling a bit with the hypothetical  
4 where you have such a wide variance in the cost of serving  
5 different classes of customers within a given region.

6 Certainly as we look forward to automated meter  
7 reading, I see that as a fairly impractical situation or  
8 sort of a situation that would not exist.

9 Q. Well, wait. Right now, again under our  
10 hypothetical, you would agree with me that the average cost  
11 is 89 cents per customer per month, yes?

12 A. Yes.

13 Q. And would you also agree with me that it costs  
14 more to read some customers' meters than it does to read  
15 other customers' meters?

16 A. I would agree that that is the case now.

17 Q. We're talking about right now.

18 A. If we're talking about right now, today, I would  
19 agree with that.

20 Q. And just as an example, if you're in a urban  
21 area, a meter reader might be able to read 500 meters a day  
22 where if you're in a very rural area, he might only be able  
23 to read 50 or 100 meters a day.

24 Without accepting those exact numbers, that's the  
25 idea we're talking about, isn't it?

1           A. Well, it's not my idea of what's a reasonable  
2 hypothetical for the competitive marketplace. In the  
3 competitive marketplace, we will not be using the 1930's  
4 style of metering technology that requires a meter reader to  
5 jump fences.

6           I mean, there are innovative technologies available  
7 today that we hope to implement that would have remote read  
8 capability.

9           And so the hypothetical as you have phrased it really  
10 doesn't gibe with the scenario that I see unfolding in the  
11 metering area.

12          Q. And you believe that the automated meter reading  
13 technology you're talking about would be equally available  
14 to all residential customers within PP&L's service  
15 territory?

16          A. I believe so, yes.

17          Q. Do you know how the information from those  
18 meters would be transmitted to Enron?

19          A. There are a variety of communication  
20 technologies available today. I cannot tell you today which  
21 technology we would use as Enron as a metering provider in  
22 Pennsylvania. We're looking at a number of communication  
23 technologies.

24          Q. And do some of those technologies rely on the  
25 cellular telephone network?

1 A. Yes.

2 Q. And do some of them rely on the land line  
3 telephone network?

4 A. Yes.

5 Q. And do you know if those technologies are  
6 equally available to all portions of PP&L's service  
7 territory?

8 A. I am not familiar with the exact coverage of  
9 cellular or land line technology.

10 Q. Now, we just went through this little example  
11 of, if your metering costs were higher than PP&L's average  
12 costs, you might not offer the service. If they're lower,  
13 you probably would offer the service and try to compete.

14 Would the same be true for billing costs and metering  
15 costs that -- I'm sorry, there was an awful lot there. Let  
16 me try this another way.

17 Would you also agree with me that Mr. Reising  
18 developed his unbundled billing and metering costs based on  
19 the average cost to serve a PP&L customer?

20 A. I'm not familiar with Mr. Reising's methodology  
21 in arriving at those, I'm sorry.

22 Q. That's all right. If we could accept  
23 hypothetically that the unbundled costs would be based on an  
24 average cost, would the same be true that if you could  
25 provide the service at less than the average cost, then it

1 would make sense for you to do it, but if there were  
2 customers where your costs would be higher than PP&L's  
3 average, that it probably wouldn't make sense for you to do  
4 it?

5 A. In your hypothetical example, yes.

6 Q. Does the fact that you can provide service to a  
7 particular customer at less than PP&L's average cost of  
8 serving all customers mean that you are providing that  
9 service more efficiently than PP&L?

10 A. Well, presumably if we're offering the service  
11 at a lower price to consumers, then we are providing that  
12 service at a lower cost, and so I guess by definition, yes,  
13 we would be providing that service more efficiently.

14 Q. Well, I'm not sure that you understood my  
15 question completely.

16 A. Okay.

17 Q. I'm talking about your ability to provide  
18 service to a particular customer, say one customer, at less  
19 than PP&L's average cost of serving all customers.

20 A. Okay.

21 Q. If we take that as the limited situation, does  
22 that fact alone mean that you are being more efficient than  
23 PP&L?

24 MR. KOHLER: Your Honor, I agree that Mr. Jacobson  
25 had some foundational testimony that might be viewed as

1 reaching this line of cross, but he's an engineer and he  
2 specializes on the metering issue technologically, not as it  
3 relates to cost.

4 I think it goes without saying that if it's an  
5 average, it's based on an average cost and you beat that  
6 price in an area where that's more than average cost, but  
7 that doesn't necessarily mean that entity is more efficient.

8 MR. RUBIN: Your Honor, I'm looking specifically at  
9 the witness's testimony at the bottom of page 14. He  
10 advocates a supplier single bill system.

11 The middle of page 15, he is asked what benefit will  
12 this provide, and on line 13 he says it will increase  
13 efficiency. And that's what I'm asking about.

14 MR. KOHLER: That's fine.

15 BY MR. RUBIN:

16 Q. Does the fact that you can provide the service  
17 at a lower cost for one particular customer or for a  
18 particular group of customers mean that you are being more  
19 efficient than PP&L?

20 A. I believe the fact that you are -- I want to  
21 answer your question, but --

22 JUDGE KASHI: Yes, let's answer the question. It  
23 works better that way.

24 (Laughter.)

25 THE WITNESS: I'm sorry, it's all new to me.

1 I believe that in your example, we could be deemed as  
2 providing the service more efficiently -- I should say, a  
3 characteristic of providing the service more efficiently  
4 would indeed be, one characterization of that would be  
5 providing it at a lower cost, yes.

6 BY MR. RUBIN:

7 Q. A definition of efficiency would be providing  
8 service at less than average cost?

9 (No response.)

10 Q. And if that's what you're saying, that's fine,  
11 and we'll move on. I just want to make sure I understand.  
12 You're saying, if you can beat average cost for a particular  
13 customer, then you're being more efficient. Is that where  
14 we are?

15 A. I'm still not sure I completely understand your  
16 question, but --

17 Q. Let me try a real simple example. Let's assume  
18 obviously hypothetically that PP&L has three customers, just  
19 so we can do all this in our heads here.

20 And to provide metering service to one customer costs  
21 it 50, and another customer costs it a dollar and another  
22 customer costs it \$1.50.

23 So the average cost of servicing these three  
24 customers would be a dollar, is that right?

25 A. Right.

1 Q. Now, let's assume that Enron could provide the  
2 same service to the customer who gets the service -- I'm  
3 sorry, I'm messing up my own hypothetical.

4 Let's assume that Enron could serve the 50 cent  
5 customer who is paying a dollar, because the rates are based  
6 on average cost, Enron could serve it at a cost of 90 cents.

7 So that customer's bill would go down by a dime. But  
8 does that mean that Enron is providing the service more  
9 efficiently than PP&L is providing it?

10 A. I believe it does. I believe it does mean we  
11 are.

12 Q. On page 12 of your testimony, on line 8, you  
13 have a statement in parentheses.

14 A. I'm sorry, what page?

15 Q. I'm sorry, I'm in your direct testimony, page  
16 12, and I'm looking at line 8. You have a statement in  
17 parentheses that says, "if PP&L continues to operate its own  
18 metering system."

19 Does this mean that in your opinion, PP&L has the  
20 option of choosing not to operate its own metering system?

21 A. No, it does not mean that.

22 Q. I'm still in your direct testimony on page 14.  
23 I'm looking at the answer that begins on line 17. You state  
24 that no customer should ever be without a meter.

25 Under your proposal, if hypothetically the generation

1 supplier owns the meter and the generation supplier goes out  
2 of business, who would be responsible for reading and  
3 maintaining that meter? By the way, I'm not implying that  
4 Enron is going to be going out of business, but we're  
5 opening this up to everybody, so let's take the  
6 hypothetical.

7 A. We certainly hope not.

8 Clearly, you have to have procedures in place to make  
9 sure that the customer never is without a meter. I don't  
10 have an answer for you today as to exactly how that will  
11 take place.

12 We are working through some issues, that being one of  
13 many issues in California with respect to competitive  
14 metering.

15 My suggestion would be that that would be a topic of  
16 a similar workshop sort of process as we're seeing in  
17 California.

18 Q. If we could turn to your surrebuttal testimony  
19 for a moment, on page 4 of your surrebuttal, do you  
20 understand that IBEW's witness Mr. Schmitt is advocating  
21 that part of PP&L's role as a distribution utility should be  
22 to provide the meter, meter reading and billing for  
23 distribution services?

24 A. Yes.

25 Q. And if that position is adopted, would there be

1 a need for a customer to change its electric meter if it  
2 changed generation suppliers?

3 A. Not for any reason that I know of.

4 Q. But under your proposal, it is possible that a  
5 customer would need to change its electric meter in order to  
6 change generation suppliers?

7 A. No, that's not at all a requirement under the  
8 model that I have proposed.

9 Q. Maybe I don't understand what you've proposed,  
10 then. Would I be correct that under your proposal,  
11 generation suppliers would have the option of owning the  
12 electric meter, and of installing that meter on the  
13 customer's premises?

14 A. That's right.

15 Q. And if I'm taking service as a retail customer  
16 from a generation supplier who is providing me with a meter,  
17 and I decide to change generation suppliers, don't I also  
18 have to have the electric meter changed? That supplier will  
19 take its meter and install it someplace else?

20 A. I would argue, not necessarily. And I would  
21 liken it to the cellular phone industry where you have a  
22 whole variety of commercial arrangements that are available,  
23 some of which provide for a free device for no cost up  
24 front.

25 Other arrangements provide for ownership of the

1 device, other arrangements for leasing of the device. So it  
2 doesn't necessarily mean that a meter would have to be  
3 replaced simply because a generation provider is changed.

4 Q. Do you anticipate that if you're proposal is  
5 adopted, that Enron will be the only generation supplier  
6 that provides metering services?

7 A. From what I see in the marketplace today, the  
8 answer to that is no.

9 Q. There are a lot of people who want to do that,  
10 aren't there?

11 A. That's right.

12 Q. And do you consider it, I don't want to say  
13 "likely," at least possible or reasonable to assume that  
14 each generation supplier who provides metering services will  
15 want its own equipment to be used so that there's some  
16 standardization?

17 A. Well, certainly the suppliers will want to be in  
18 control of what hardware is used for purposes of providing  
19 their service, yes.

20 Q. So I think I understood your earlier answer to  
21 mean that a customer wouldn't necessarily have to have its  
22 meter changed if it changed suppliers under your proposal,  
23 but would you agree that it is certainly possible or  
24 reasonable to assume that at least in some circumstances, a  
25 customer will have to have its meter changed in order to

1 change generation suppliers?

2 A. I believe it is possible.

3 Q. Now, still in your surrebuttal testimony on page  
4 5, I'm looking roughly at lines 15 through 18 where you  
5 state that the Commission should establish minimum  
6 qualifications and training for personnel who will install  
7 electric meters.

8 Are you suggesting that this Commission should test  
9 and license electrical contractors in Pennsylvania?

10 A. I believe the Commission should certainly set  
11 the standards by which those technicians have to be  
12 certified.

13 Q. Is it your recommendation that people who  
14 install and service and maintain electric meters should be  
15 licensed or certified in some fashion?

16 A. Yes.

17 Q. And do you know today if electrical contractors  
18 are licensed or certified in Pennsylvania?

19 A. I have to say I'm not familiar with the local  
20 regulations.

21 Q. You wouldn't know how many electrical  
22 contractors there are in Pennsylvania?

23 A. No, sir, I would not.

24 Q. And I assume you wouldn't have any idea what  
25 their level of training or expertise is as regards the

1 service or maintenance of electric meters?

2 A. No. I have no firsthand knowledge of that.

3 MR. RUBIN: Thank you.

4 That's all I have for this witness, Your Honor.

5 JUDGE KASHI: Thank you very much.

6 MR. RUSSELL: Your Honor?

7 JUDGE KASHI: Mr. Russell?

8 MR. RUSSELL: I only have I think about five minutes.

9 Maybe we can just speed on through.

10 JUDGE KASHI: Keep on going. The coffee shop is  
11 closed, anyway.

12 MR. RUSSELL: The coffee shop is closed?

13 JUDGE KASHI: Closed until 11:30. There's no use  
14 stopping now.

15 CROSS-EXAMINATION

16 BY MR. RUSSELL:

17 Q. Good morning, Mr. Jacobson.

18 A. Good morning.

19 Q. My name is Paul Russell. I'm representing PP&L  
20 in this proceeding.

21 On page 4 of your direct testimony, you at line 17 or  
22 thereabouts are discussing the California natural gas  
23 market. I just have one question in this area.

24 Wouldn't you agree with me that decreasing commodity  
25 prices by all market suppliers would provide a benefit to

1 consumers?

2 A. Yes.

3 Q. On page 6, still in your direct testimony, at  
4 lines 12 to 14, you discuss concerns about being placed,  
5 Enron being placed at a competitive disadvantage vis-a-vis  
6 PP&L. Do you see where I am?

7 A. Not exactly. You have to bear with me. My  
8 lines aren't numbered.

9 Q. Oh, I'm sorry.

10 (Witness perusing document.)

11 A. Can you give me --

12 Q. I can actually give you my copy.

13 MR. KOHLER: I can give him a copy.

14 (Document handed to the witness.)

15 THE WITNESS: Okay, I'm with you.

16 BY MR. RUSSELL:

17 Q. Were you in the hearing room earlier this  
18 morning when I discussed with Mr. Bowen the company's  
19 proposal to divide its operations into a regulated side and  
20 a non-regulated side?

21 A. Yes.

22 Q. With that in mind, the statement on page 6, are  
23 you referring to PP&L's regulated side here or the  
24 unregulated side?

25 A. The regulated side.

1 Q. And is that based upon your expectation that the  
2 regulated side will provide the non-wires portion of  
3 distribution services?

4 A. Yes.

5 Q. And would your concerns be addressed if the  
6 regulated side provided these distribution services,  
7 including non-wires, on a non-discriminatory basis for all  
8 suppliers?

9 A. Could you repeat the question to make sure I  
10 understand it?

11 Q. Would your concern here on page 6 be addressed  
12 if the regulated side of the business provided the  
13 distribution services on a non-discriminatory basis to all  
14 suppliers?

15 A. I believe there may be a misunderstanding about  
16 what my point is here, because I'm having trouble tying your  
17 question to what I've said here.

18 Would it help for me to elaborate a bit?

19 Q. Certainly.

20 A. What I was referring to here -- maybe an example  
21 would work best, where a regulated utility comes in, which  
22 has already happened, where a utility comes in and decides  
23 that they're going to make a big investment for example in  
24 automated meter reading technology across their service  
25 territory.

1 Well, taking that one size fits all approach and  
2 doing that on the regulated side of the business before  
3 competition is in place potentially creates a barrier to  
4 entry once competition does arrive because you have  
5 potentially a stranded cost problem. That's one example of  
6 the sort of barrier that I was referring to here.

7 Q. A barrier to entry in the competition in which  
8 markets, the energy supply market?

9 A. The energy supply market, but I think the same  
10 argument would go for the market for services, the non-wire  
11 services I'm referring to here as well.

12 Q. And you're looking at the investment in the  
13 metering as a stranded cost?

14 A. A potential stranded cost.

15 Q. Setting aside for a minute entry into metering  
16 and billing and other non-wire service and looking just for  
17 a minute only at entry and the ability to compete in the  
18 energy market, I'll go back to my question. And your  
19 explanation was helpful. I appreciate it.

20 If we're just concerned about competition in the  
21 energy market and if the distribution utility provides these  
22 non-wire services on a comparable basis to all suppliers,  
23 will that resolve your concern about being at a disadvantage  
24 vis-a-vis PP&L?

25 A. Not necessarily.

1 Q. And why would it not?

2 A. Well, another example may help. Take the  
3 example -- let me build on the example I've already  
4 presented, where AMR technology, automated meter reading  
5 technology has been implemented in a service territory.

6 Depending on what type of technology is involved  
7 there, it may or may not be compatible with the type of  
8 energy service that I want to provide in the marketplace.

9 If it is not, then again, you have a potential  
10 stranded cost there.

11 Q. If there are national standards for metering and  
12 billing technology, wouldn't your concern about not being  
13 compatible essentially disappear?

14 A. No, not at all. There are standards that apply  
15 to for example the rotating disc type of meter that we see  
16 on the side of homes today, and there are standards that  
17 apply to more advanced technologies.

18 So the existence of standards that apply to  
19 technologies do not solve the problem at all. It's the  
20 level of the technology being deployed that's at issue.

21 Q. Turning to page 10 of your direct at lines 12  
22 through 18, you are discussing I guess an interconnection  
23 and communications link with the customer information.

24 A. Yes.

25 Q. Would you agree with me that that sort of

1 linkage would require some protections be built in to  
2 protect confidential customer information?

3 A. Oh, I would absolutely agree.

4 Q. And has Enron developed those protections at  
5 this point?

6 A. I can say that we haven't unilaterally developed  
7 those protections, but I would say that we are participating  
8 as I speak here today in the workshops in California where  
9 that is one issue that is being addressed and specific  
10 procedures are being developed to address it.

11 Q. And do you have any sense of when those  
12 procedures might be finalized?

13 A. Well, I know that they will be in place by  
14 January 1, 1998.

15 Q. In California?

16 A. In California, yes.

17 MR. RUSSELL: I have nothing else, Your Honor.

18 JUDGE KASHI: Thank you very much.

19 Redirect, sir?

20 MR. KOHLER: None, Your Honor.

21 JUDGE KASHI: Thank you very much. You are excused,  
22 sir.

23 (Witness excused.)

24 JUDGE KASHI: That which has been previously marked  
25 and identified as Enron Statement No. 4 and 4.1 and the

1 attendant Exhibits MWJ-1 through 5 are received into the  
2 evidentiary record, without objection?

3 (No response.)

4 JUDGE KASHI: Without objection.

5 (Whereupon, the documents marked as  
6 Enron Statements Nos. 4.0 and 4.1  
7 and Enron Exhibits MWJ-1 through 5  
8 were received in evidence.)

9 JUDGE KASHI: I believe that concludes our business  
10 for this day. Is there anything further from counsel this  
11 morning? Yes, sir?

12 MR. BURGRAFF: Yes, Your Honor. I have revised  
13 Schedules LS-9 through LS-12 in OCA Statement 4-S. I would  
14 like to distribute them today and give two copies to the  
15 reporter.

16 JUDGE KASHI: Please do.

17 Mr. Kohler?

18 MR. KOHLER: Your Honor, I was under the impression  
19 we were going to discuss briefing today. If not, that's  
20 fine.

21 JUDGE KASHI: Well, let's discuss it in this sense.  
22 There is an interim briefing order which will go out which  
23 will contain the issues, the proposed issues that in fact  
24 everybody has already seen.

25 And there will be space alongside those issues for

1 the parties to indicate where they have burning desire to  
2 speak specifically on that issue, and the rest of the brief  
3 being common or joint.

4 I will, in the order, direct that the parties fill  
5 those out and submit them to lead counsel, who in fact will  
6 coordinate it and get it back to me so that we can talk  
7 about it next week.

8 If in fact a party who has never been here thinks  
9 they've got this burning issue and they say, "And we want to  
10 file a brief," and I take a look at whatever it is that  
11 they've done so far, I may decide, "You can have two pages  
12 in the joint brief."

13 Or you've presented a witness on a particularly  
14 narrow issue and that's the only issue that you have; maybe  
15 we'll let you have 12 pages in the joint brief. That's my  
16 thought at the current time.

17 I think I'm on firm ground. If there's anybody here  
18 who thinks I'm not on firm ground, object now.

19 MR. STEWART: I'll object. Your Honor, I've done a  
20 little research on this issue, and I've come to the  
21 conclusion that there is a due process constitutional right  
22 in Pennsylvania to file a brief in this type of a  
23 proceeding.

24 JUDGE KASHI: That's exactly right, sir. You have a  
25 constitutional right to file a brief, and it's being

1 accorded to you.

2 MR. STEWART: It would be our position that forcing  
3 parties to file a joint brief where their page limits are  
4 limited relative to other parties is substantially reducing  
5 that right.

6 JUDGE KASHI: How about if I tell you you've got 40  
7 periods, period?

8 MR. STEWART: Each party, Your Honor?

9 JUDGE KASHI: Yes. What's the difference? I mean, I  
10 have the right to limit the number of pages in the whole  
11 brief.

12 MR. STEWART: I'm just suggesting, Your Honor, that  
13 limiting one party's number of pages relative to other  
14 parties by grouping the parties together is diminishing the  
15 right for some parties and not for others, and that's the  
16 basis of my argument, Your Honor.

17 JUDGE KASHI: So you say that I have to give you all  
18 12 pages on a particular issue?

19 MR. STEWART: If the parties would like 12 pages on  
20 that. Let me make sure I understand what you're proposing.  
21 You're proposing to say how many pages each party, that  
22 everybody is limited to on each issue, so that each party  
23 will be limited --

24

25

1 JUDGE KASHI: No, no. I'm proposing that there's  
2 going to be a joint brief that everybody in a particular  
3 group is going to be able to agree that, we all agree on  
4 these issues, and that there are those parties that are  
5 within that group that say, "I've got a burning issue here  
6 and I don't agree with anything that any of you say on this  
7 particular issue. Therefore, I want to address it myself."

8 MR. KOHLER: Your Honor, if I could make a  
9 suggestion, I think what you've suggested, sending out a  
10 survey document, we should go ahead and do that.

11 JUDGE KASHI: Okay.

12 MR. KOHLER: See what comes out of that, and  
13 establish a time to talk about those issues. And I think at  
14 that point, I guess as lead counsel for one group, the  
15 parties can raise legal concerns, but we'd also be in  
16 position to make ourselves comfortable with this, try to  
17 work with Your Honor and identify any practical problems  
18 that remain. And at that time Enron, as well as other  
19 parties, can state objections for the record, if they want.

20 JUDGE KASHI: Good enough. All right, I'll get that  
21 out sometime hopefully yet today, I should be able to do  
22 that.

23 Anything further?

24 MS. SWANSTROM: Your Honor, on behalf of Allegheny  
25 Power, as you may not from our cross examination, we do have

1 a fundamentally different opinion from the other utilities  
2 on how stranded costs should be determined, and a number of  
3 other core issues in the case.

4 We would be certainly willing to do a joint brief so  
5 long as there are sufficient pages where we can address  
6 these major issues in our own unique position.

7 And based on what's happened thus far, maybe the  
8 other parties were not going to file a brief. I just wanted  
9 to let you know that.

10 JUDGE KASHI: They haven't bothered to show up, I  
11 don't know why they'd bother to file a brief.

12 MS. SWANSTROM: My concern is that we get a  
13 sufficient number of pages to do that, and we're certainly  
14 willing to work with Your Honor.

15 JUDGE KASHI: Well, I'm sure your sufficient and my  
16 sufficient are going to differ.

17 (Laughter.)

18 JUDGE KASHI: I assure it will be sufficient.

19 (Laughter.)

20 MR. McCORMICK: Your Honor, David McCormick for the  
21 consumer interests of the Department of Defense. Just for  
22 the record, just as I had mentioned in the concept of  
23 grouping for cross, I've been instructed that the DOD  
24 objects to the requirement of parties to file qualitative  
25 briefs. However, I have talked to Mr. Kleppinger, and I

1 think that we probably are at least looking at a couple of  
2 options; and I've also been instructed that we will accede  
3 to your directive.

4 JUDGE KASHI: Thank you, sir.

5 Anything further?

6 MR. KLEPPINGER: Could we talk about scheduling for  
7 next week a little bit, maybe off the record?

8 MR. RUSSELL: Yes, we were prepared to do that.

9 JUDGE KASHI: Do you want to talk to the parties  
10 themselves? Do you want me to leave?

11 MR. KAPLAN: No, no.

12 JUDGE KASHI: All right. Let's just go off the  
13 record.

14 (Discussion off the record.)

15 JUDGE KASHI: We will adjourn until Monday morning at  
16 9:30.

17 (Whereupon, at 11:36 a.m., the hearing was adjourned,  
18 to reconvene at 9:30 a.m. on Monday, August 25, 1997, in  
19 Harrisburg, Pennsylvania.)

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C E R T I F I C A T E

I hereby certify, as the stenographic reporter,  
that the foregoing proceedings were taken stenographically  
by me, and thereafter reduced to typewriting by me, or under  
my direction; and that this transcript is a true and accu-  
rate record to the best of my ability.

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By:   
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